

File

Deer Horn Mines Limited

Incorporated under the Companies Act
Province of Ontario

REPORT AND AUDITOR'S STATEMENT

For Period Ended December 31, 1960

DIRECTORS

DENISON DENNY

President and Managing Director

J. G. PIERDON

Vice-President and General Manager

L. MURPHY

Treasurer and Director

P. A. CHUBB

Director

J. D. SMITH

Director

MARGARET B. SMITH

Secretary

HEAD OFFICE

100 ADELAIDE ST. WEST - TORONTO, CANADA

TRANSFER AGENTS AND REGISTRARS
CHARTERED TRUST COMPANY

AUDITORS

ROGERS & ROBERTS

DEER HORN

(Incorporated under the

BALANCE SHEET

As at 31st December 1960

ASSETS

Current:

Cash	\$	241.75	
Metal settlements receivable — estimated		172,630.03	
Concentrates on hand, at estimated net amount receivable		8,910.00	
Prepaid expenses and sundry assets		4,058.17	
			\$185,839.95

Mining lands and rights:

Crown patented and unpatented claims — British Columbia, at nominal value	\$	1.00	
Mining claims and leases under option — Ontario (Note 1)		17,500.00	
			17,501.00

Buildings, plant and equipment:

At value determined by Board of Directors in 1958, less proceeds from disposals	\$	37,182.60	
Subsequent additions, at cost		84,819.43	
			122,002.03

Deferred and other:

Hydro deposit	\$	3,299.00	
Inventory of supplies, at cost		5,240.39	
Deferred development and administration expenses — as per schedule attached		634,628.00	
Organization expenses		4,479.54	
			647,646.93
			<u>\$972,989.91</u>

LIABILITIES

Current:

Bank advances — secured	\$	58,866.65	
Payroll payable		8,502.94	
Accounts payable and accrued expenses		56,677.89	
Province of Ontario mining tax payable — estimated		2,800.00	
			\$126,847.48

Other:

Loan payable (Note 2)			60,000.00
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Capital:

Authorized —
5,000,000 shares of a par value of \$1.00 each
Issued fully paid —

	No. of shares and par value	Discount	
At 31st December, 1959	3,235,005	\$1,710,000	\$1,525,005.00
Issued during year for cash	100,000	80,000	20,000.00
At 31st December, 1960	3,335,005	\$1,790,000	\$1,545,005.00
Deduct: Deficit			758,862.57
			786,142.43
			<u>\$972,989.91</u>

Approved on behalf of the Board:

D. DENNY, Director.
J. G. PIERDON, Director.

NOTES TO FINANCIAL STATEMENTS — 31st DECEMBER, 1960

1. Mining claims and leases under option.

The balance payable under the option agreement for mining claims and leases is \$92,500.00. A payment of \$7,500.00 was made on 31st January, 1961 and the balance of \$85,000.00 is payable, if the option is exercised, in four instalments between 30th April, 1961 and 31st January, 1962.

2. Loan payable.

The loan is repayable with interest at 6% per annum by monthly instalments of \$10,000.00 commencing 15th February, 1961. The lender has the right to convert all or any part of the loan presently owing into shares of capital stock of the company at 20¢ per share.

The President and Directors,
Deer Horn Mines Limited,
1010 — 100 Adelaide Street West,
Toronto 1, Ontario.

May 2, 1961.

Gentlemen:

I take pleasure in submitting for your consideration the following report covering your Company's operation at the Cross Lake Mine near Cobalt for the year ending December 31, 1960.

SUMMARY

Five new silver zones were located in 1960.

Acquisition of a complete mill plus additional buildings and equipment, completed an efficient mining and milling unit capable of easily sustaining a 100 ton per day operation.

Milling commenced on June 2 and recovery to the end of December totalled 489,029 ounces of silver.

Underground workings were dewatered down to the 750 foot winze level and extensive rehabilitation carried out.

Deepening the main shaft to the 640 foot level was initiated.

EXPLORATION AND DEVELOPMENT

The program of exploration and development was successful in locating five new silver zones at various horizons between the 270 foot and 640 foot levels of the mine. These zones are in addition to the previously located No. 25 and No. 33 veins and may be described briefly as follows:

No. 27 VEIN — located about 40 feet north of No. 2 vein at the 312 foot horizon in cobalt series formation. Ore was developed for 140 feet laterally.

No. 2 EAST VEIN — two zones, probably the extension east of No. 2 vein, were located in the cobalt series just above the 312 sub-level. The first zone was developed in ore laterally for 120 feet and the second zone for 80 feet.

No. 36 AND No. 37 VEINS — these east-west trending veins were intersected at the 640 foot level in diabase just above the keewatin contact. They are located west of the main shaft adjacent to the Reinhardt-O'Brien claim boundary.

No. 1 SOUTH VEIN — this fifth new zone was also discovered by diamond drilling about 300 feet south of the main workings at the 590 foot level. The host rock is keewatin rhyolite porphyry about 100 feet below the diabase contact.

Development on No. 33 and No. 25 veins further extended the ore in these zones. No. 33 vein continued in ore from the 450 foot level down to the 590 foot level and a raise was carried up on No. 25 vein from 395 to the 270 foot level to further extend this ore.

PRELIMINARY MINING

Preliminary mining in five main zones, 225 East, 302 East, 327, 533 and 633 stopes provided 15,318 tons of mill feed with an average grade of 32.6 ounces of silver per ton.

Drifting	870 feet
Crosscutting	392 feet
Raising	768 feet
Sinking	12 feet
Diamond Drilling (U.G.)	19,786 feet
Ore broken preliminary mining	15,318 tons
Ore hoisted	14,760 tons
Ore Milled	15,398 tons

MILLING

The Nipissing-O'Brien mill was rehabilitated and milling commenced June 2. The objective of milling was to convert the broken ore into cash and milling continued through to December 23 on an 80 ton per day basis.

Total tons milled	15,398
Total silver recovered	489,029 ounces
Calculated mill heads per ton	32.4 ounces silver
Extraction efficiency	97.5%

GENERAL

BUILDINGS — The main building additions consisted of 70 ton ore bin, 50 man dry, engineering office, surface powder magazine and pump house.

EQUIPMENT — Rock drills, mucking machines, slusher hoists, ore cars, electric pumps and a battery locomotive were the main equipment items added in 1960.

Deepening the main shaft to the 640 foot level was initiated, No. 2 winze was dewatered down to the 750 foot level and about 4,000 feet of lateral workings were rehabilitated and serviced with track and pipe. The 525 foot level was established as a main haulage level and an ore pass completed up to the 395 foot level.

Following the closure of Deloro Smelting on November 1, American Smelting and Refining Company contracted to treat our highgrade concentrates. Noranda continued to treat our lower grade concentrates.

The average price per ounce of silver paid for was 89.64¢ Canadian funds.

The average return per contained ounce after marketing was 78.72¢ Canadian funds.

Respectfully submitted,
DEER HORN MINES LIMITED
J. E. ARMSTRONG,
Mine Manager.

MINES LIMITED

(Incorporated in the Province of Ontario)

BALANCE SHEET

December, 1960

STATEMENT OF DEVELOPMENT AND ADMINISTRATION EXPENSES For Year Ended 31st December, 1960

Cobalt property:

Balance, 1st January, 1960 \$ 25,905.13

Expenses for year:

Exploration, development and mining	\$202,135.84
Hauling ore	8,947.69
Mill rental and rehabilitation expenses	36,463.16
Mill operating	44,473.20
Mine office general expenses	16,827.05
Minimum rent on lease	5,000.00

Head office administration expenses:

Management fees and rent	\$ 9,000.00
Audit and legal	730.16
Printing, stationery and office expenses	610.12
Taxes and fees	336.36
Telephone and telegraph	200.35
Transfer agents' fees	1,202.04
Travelling expenses	1,364.56
Miscellaneous	119.71

13,563.30

Interest and financing expenses 10,180.53

Province of Ontario mining tax — estimated 2,800.00

340,390.77

\$366,295.90

Deduct:

Value of metals produced during year, less smelter charges and marketing expenses \$380,798.10

Less: Royalties applicable thereto 38,079.81

342,718.29

Balance, 31st December, 1960 \$ 23,577.61

British Columbia properties:

Balance, 1st January, 1960 \$610,762.89

Add: Acreage taxes 287.50

611,050.39

Balance, 31st December, 1960 \$634,628.00

AUDITORS' REPORT

To the Shareholders of

Deer Horn Mines Limited.

We have examined the balance sheet of Deer Horn Mines Limited as at 31st December, 1960 and the statement of development and administration expenses for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of development and administration expenses present fairly the financial position of the company as at 31st December, 1960 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
13th February, 1961.

ROGERS & ROBERTS,
Chartered Accountants.

DEER HORN MINES LIMITED

TO THE SHAREHOLDERS: REPORT OF THE DIRECTORS

Submitted herewith please find financial statements of the Company for the year ended 31st of December, 1960, the Report of the Auditors, and the Report of the Mine Manager.

FINANCIAL

Since many important changes and improvements in the financial affairs of the Company have taken place since the fiscal year-end, reference will be made to these changes in relation to the balance sheet submitted herewith.

The loan payable, referred to in Note 2 of the Balance Sheet, in the amount of \$60,000., has been liquidated by conversion into 300,000 shares of Treasury stock at 20 cents per share.

A new Treasury deal was entered into on April 12th, 1961, whereby 200,000 shares were underwritten at 22½ cents per share, with options as follows:—

200,000 shares at 22½ cents per share	200,000 shares at 32½ cents per share
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200,000 shares at 27½ cents per share	200,000 shares at 37½ cents per share
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To date, the 200,000 shares that were underwritten have been paid for and 150,000 shares of the first option have been taken up, so that the treasury has received a total of \$78,750.

The bulk of the Metal Settlements Receivable have been received.

These transactions have resulted in liquidation of the bank advances and of the loan payable, shown on the Balance Sheet, and the Company now has adequate funds to continue its exploration programme.

Though not reflected on the Balance Sheet, there was a balance due of \$85,000. in connection with mining claims and leases under option, to be paid between April 30th, 1961, and January 31st, 1962. This option has been cancelled and replaced by an agreement whereby the leases have been sold to the Company for the sum of \$85,000., payment to be made at the rate of \$2,500. annually, plus 10 per cent. of the net smelter returns that may result from any production from the leased properties. This has removed a very onerous burden from the Company.

It will, therefore, be recognized that the Company is in much better financial situation now than at the fiscal year-end.

Reference to the Statement of Development and Administration Expenses will show that the net value of metals produced during the year, after paying substantial royalties, was slightly in excess of the entire cost of the year's operations. There are few mines in the development stage that are in this fortunate condition, resulting from two factors, the encountering of substantial, high-grade, shipping ore and having the use of a milling plant to convert accumulated ore into cash.

OPERATIONS

The Report of the Mine Manager summarizes operations for 1960. It will be noted that almost half a million ounces of silver were recovered, and that extensive exploration, in the form of drifting, cross-cutting, raising and diamond drilling was carried out.

Developments since the year-end may be summarized as follows:—

1. The main shaft was completed to a depth of 640 feet.
2. Drifting was carried out on a new vein, partially in ore, into the Reinhardt claims, at the 640 foot horizon, and drilling from this heading has picked up important ore indications well within the Reinhardt property. Two drill holes contain heavy silver, and another drill hole, in another section, has cut a very strong vein with low silver values.
3. In view of the importance of these two intersections, within the virgin, Reinhardt property, the decision has been made to rehabilitate the winze from the 640 foot to the 800 foot levels, to be followed by a drive into the Reinhardt property to open up the ore indicated by the recent drill holes.
4. In the meantime, development is proceeding within the Cross Lake-O'Brien property and, recently, has been rewarded with the encountering of very high-grade ore within the No. 25 Vein, some 400 feet west of that section of the No. 25 Vein, which yielded almost 200,000 ounces of high-grade, shipping ore last year. The No. 25 Vein is a very strong and persistent one and the re-occurrence of high-grade holds out considerable potential for this largely undeveloped vein. Cobbed ore is currently being produced from this recent development, running several thousand ounces to the ton.
5. Apart from high-grade material that can be bagged and shipped, ore from current development is being accumulated with a view to re-starting the mill later in the year.
6. Milling operations ceased in February, since the ore available from development was not of sufficient quantity or grade to justify maintaining such operations. However, the value of the availability of a milling plant has been very clearly demonstrated by the part-time production that was carried out last year, producing revenue sufficient to carry the operation.

SUMMARY

Various steps have been taken to improve the financial structure of the Company and there are now only limited expenditures that will be necessary other than those for the actual development and mining operations.

From the Mine Manager's Report it will be noted that extensive rehabilitation of the underground workings has been necessary which has delayed progress in testing and opening up the virgin, Reinhardt claims. In the last few months more and more attention has been paid to the Reinhardt area, with gratifying results, as reported above. The immediate programme of development will be aimed at opening up the favourable indications within the Reinhardt claims as soon as possible.

The price of silver has remained very steady and there are many indications that a higher price can be expected in the future.

The Company is now well equipped with both mining and milling facilities to exploit the recent ore indications in the Reinhardt property that suggest a new mine is in the making.

By Order of the Board.

DENISON DENNY,

President.

Toronto, Ontario,
June 15, 1961.

